THE BOOTS COMPANY PLC

REPORT AND ACCOUNTS 1987

FOR THE YEAR ENDED 31st MARCH 1987


Froben
100 mg
Thomae
PRESCRIPTION MEDICINE
Prothiaden 25mg
EACH CAPSULE CONTAINS 25mg
DOTHIEPIN HYDROCHLORIDE B.P.
500 CAPSULES IN TRAYS OF 10 CAPSULES
DOSAGE:- 75 mg TO 225 mg DAILY
THE BOOTS COMPANY (NEW ZEALAND) LIMITED
WELLINGTON
SYNTHROID
(Levothyroxine Sodium)
Tablets
Professional Sample
not for sale
100 mcg (0.1 mg)
Boots
Blackcurrant with Rosehip
500ml 17.6 fl. oz.
Boots
Baby Soap
150g
Glucodin
GLUCOSE POWDER WITH VITAMIN C
Boots
Baby Bath
250ml
100ml
24 Throat Lozenges
Strepsils
original flavour
MEDICINE FOR SORE THROATS
24 Throat Lozenges
Strepsils
with vitamin C 100mg
MEDICINE FOR SORE THROATS
Boots
Baby Oil
500ml
40 ml
Boots
Nirolex
Expectorant
Linctus
For Children
Boots
Cough
Linctus
For Children
Optrex
EYE LOTION
Boots
SHAMPOO
MOISTURISING LOTION
FRESHMINT
DENTALHEALTH
Advanced Fluoride Formula
DENTALHEALTH
Plaque Control Formula
Farley's
Rusks
Enriched with
Vitamins & Minerals
9 Rusks
50 ml

THE BOOTS COMPANY PLC

Prescription pharmaceuticals and consumer products, backed by research and development resource.

•

Pharmaceutical research discovers unique compounds for the treatment of important diseases.

•

Consumer products laboratories develop superior formulations for sale over-the-counter in the UK and throughout the world.

•

37% of Boots The Chemists sales are own brand products. One-third are produced in Boots factories.

•

A range of Healthcare products marketed in the UK by Crookes Products Limited, a Boots subsidiary.

•

Many products are market leaders.

THE BOOTS COMPANY PLC

Prescription pharmaceuticals and consumer products, backed by research and development resource.

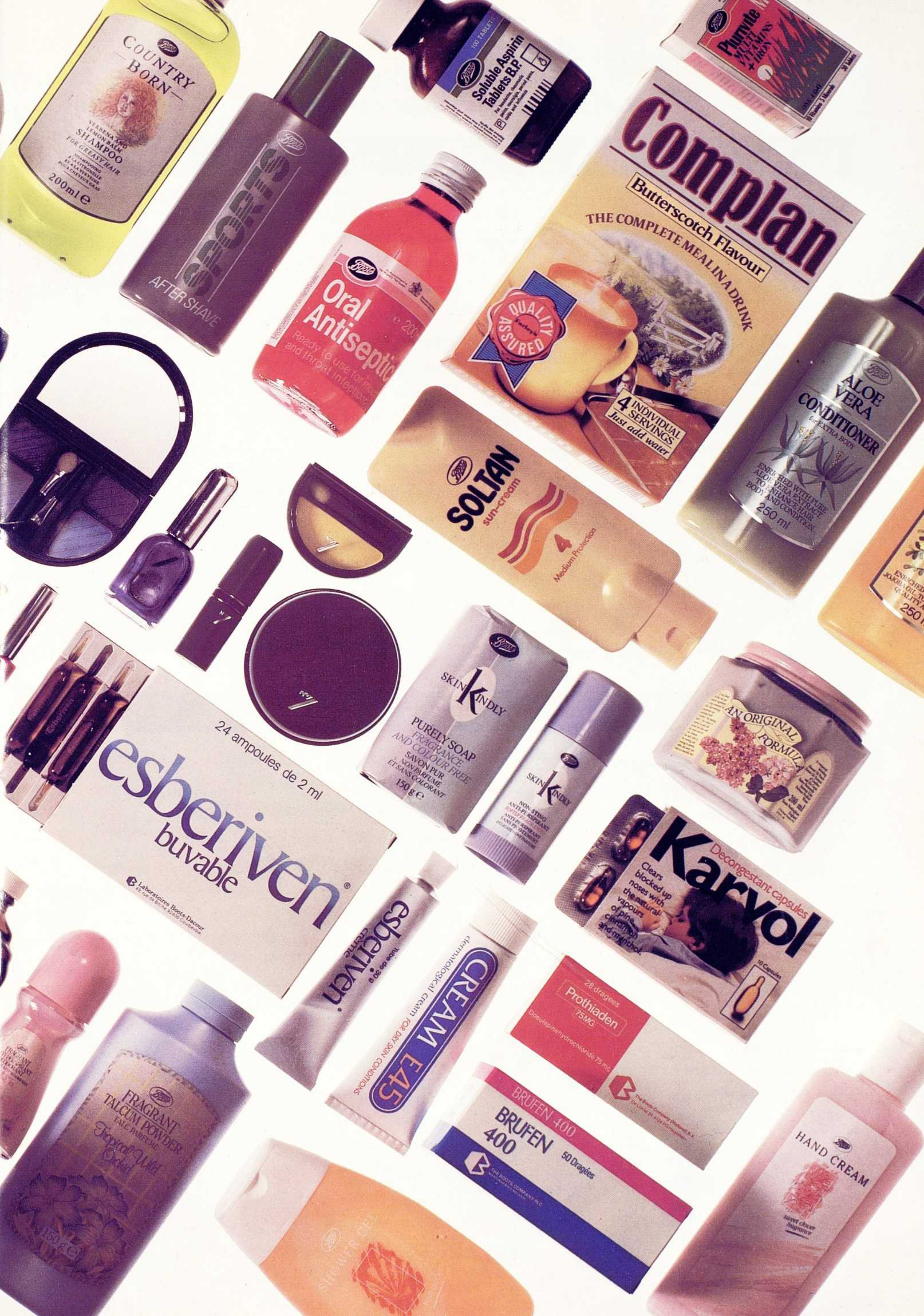
Pharmaceutical research discovers unique compounds for the treatment of important diseases.

Consumer products laboratories develop superior formulations for sale over-the-counter in the UK and throughout the world.

37% of Boots The Chemists sales are own brand products. One-third are produced in Boots factories.

A range of Healthcare products marketed in the UK by Crookes Products Limited, a Boots subsidiary.

Many products are market leaders.



Boots
COUNTRY BORN
SHAMPOO
FOR GREASY HAIR
200ml ℮
SPORTS
AFTER SHAVE
Soluble Aspirin Tablets B.P.
100 TABLETS
Pluravyte
MULTI VITAMINS + IRON
Complan
Butterscotch Flavour
THE COMPLETE MEAL IN A DRINK
QUALITY ASSURED
4 INDIVIDUAL SERVINGS
Just add water
Oral Antiseptic
ALOE VERA CONDITIONER
250 ml
SOLTAN
sun-cream
4
Medium Protection
SKIN KINDLY
PURELY SOAP
FRAGRANCE AND COLOUR FREE
SAVON PUR
150g ℮
AN ORIGINAL FORMULA
24 ampoules de 2 ml
esberiven
buvable
Laboratoires Boots-Dacour
esberiven
crème
Karvol
Decongestant capsules
Clears blocked up noses with the natural vapours of pine, cinnamon and menthol.
CREAM E45
dermatological cream FOR DRY SKIN CONDITIONS
28 dragées
Prothiaden
75MG
BRUFEN 400
50 Dragées
FRAGRANT TALCUM POWDER
TALC PARFUMÉ
Tropical Wild Orchid
HAND CREAM
SHOWER GEL

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 1987

CONTENTS

For notice of annual general meeting see separate document

FINANCIAL CALENDAR

Dividends and interest payments

Ordinary dividends

Final 1986/87:
Announced 28th May 1987.
Payable 31st July 1987.

Interim 1987/88:
Announced 18th November 1987.
Payable 8th January 1988.

Final 1987/88:
Proposed June 1988.
Payable August 1988.

7¾% loan stock interest:
Paid 30th September and
31st March.

Results

For half-year:
Announced 18th November 1987.

For the year:
Announced June 1988.

Report and accounts:
Circulated end June 1988.

For capital gains tax purposes the market value of a Boots share was 20p on 6th April 1965 and 112·5p on 31st March 1982.

BOARD OF DIRECTORS

Chairman and chief executive	R N Gunn
Vice chairman	*A B Marshall
Managing director *(Industrial Division)*	E E Cliffe, DPhil, FIBiol, FRSC
Managing director *(Retail Division)*	K Ackroyd, FPS
	P H Courtney, FCA A H Hawksworth, TD, ADC G M Hourston, FPS *The Rt Hon Sally Oppenheim-Barnes, PC *I M G Prosser, FCA *Sir Peter Reynolds, CBE T G Richardson M F Ruddell *D A G Sarre G R Solway B H C Theobald

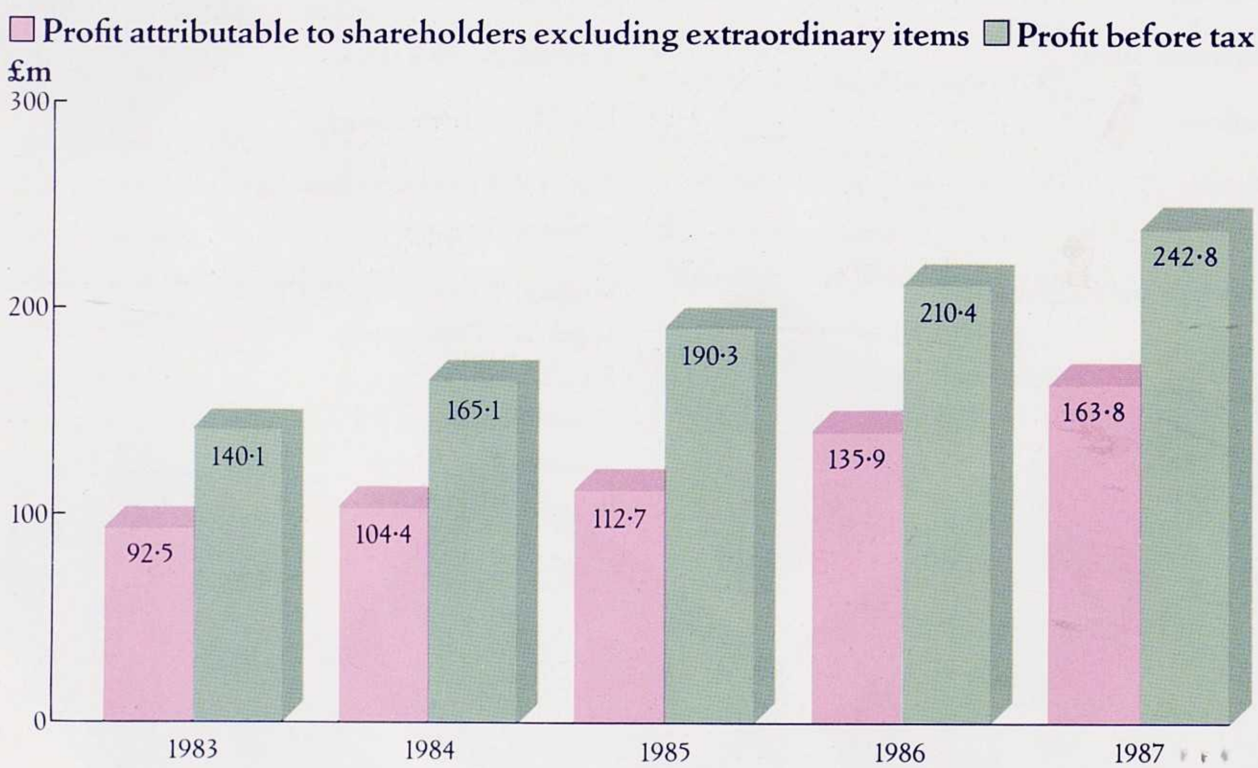
*Non-executive directors

Secretary	D N Edmundson
Registered office	Nottingham, NG2 3AA
Auditors	Peat Marwick McLintock
Bankers	National Westminster Bank PLC National Girobank
Registrars and transfer office	National Westminster Bank PLC Registrar's Department, P.O. Box 82, Caxton House, Redcliffe Way, Bristol. BS99 7NH

GROUP HIGHLIGHTS

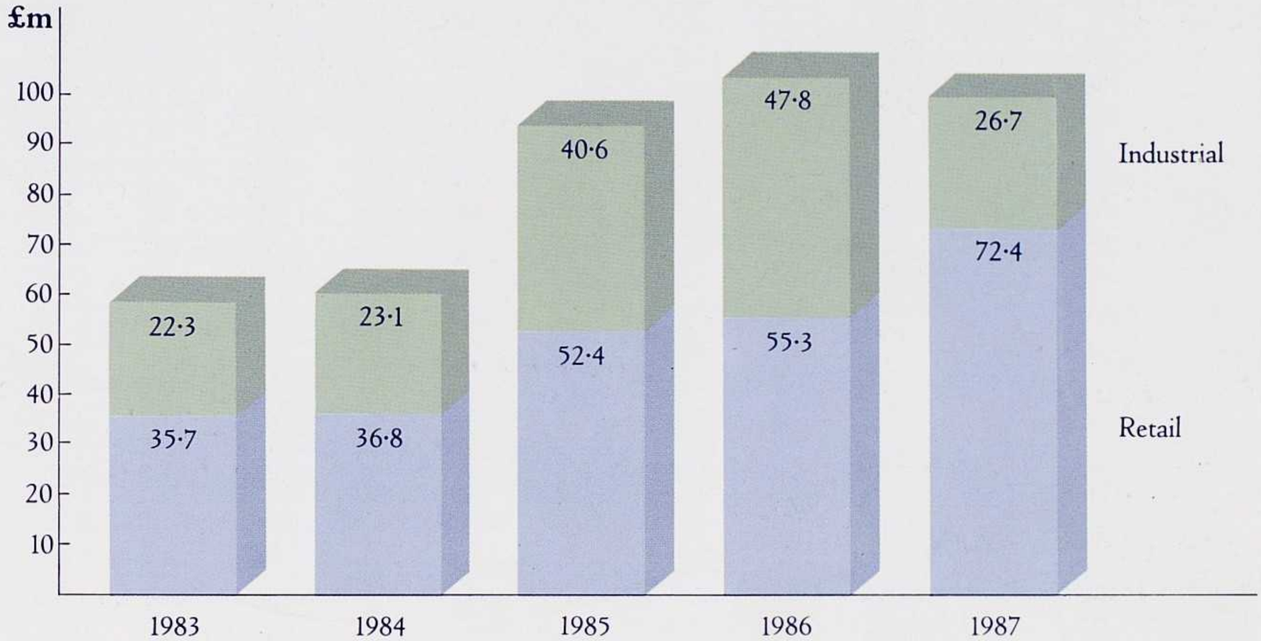
for the year ended 31st March 1987

	1987 £m	1986 £m	% change on 1986
Turnover	**2351·7**	2126·1	+10·6
Profit on ordinary activities before taxation	**242·8**	210·4	+15·4
Profit attributable to shareholders	**163·8**	135·9	+20·5
Capital expenditure	**99·1**	103·1	-3·9
Research expenditure	**30·6**	26·0	+17·7
Earnings per share	**19·5p**	18·6p	+4·8
Dividends per share	**8·0p**	7·1p	+12·7

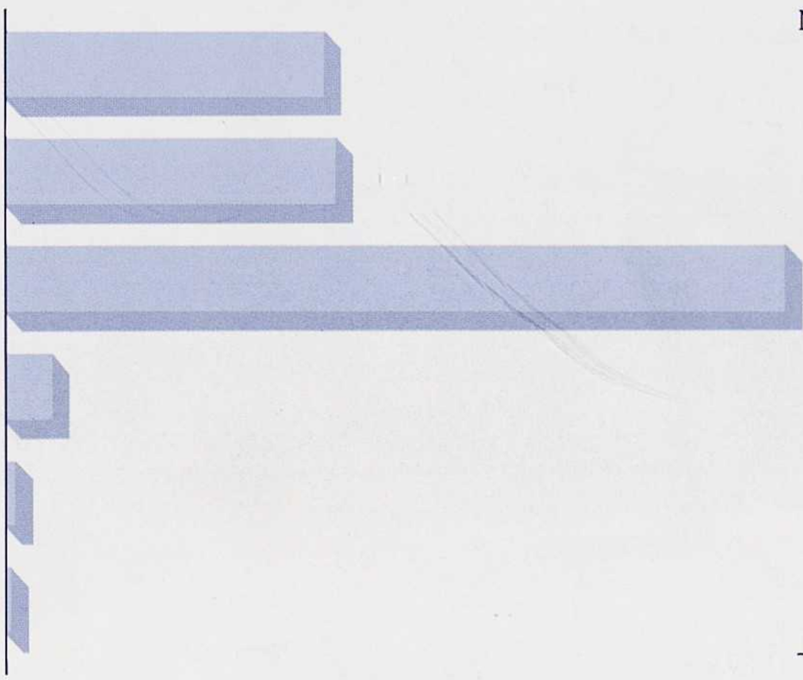


GROUP STATISTICS

Capital Expenditure



Shareholders



Shareholdings range	Number	%
1– 500	26,283	21·8
501– 1,000	26,633	22·0
1,001– 10,000	63,041	52·2
10,001– 100,000	4,100	3·4
100,001– 1,000,000	573	0·5
Over 1,000,000	123	0·1
	120,753	

STATEMENT BY THE CHAIRMAN

The year under review has been a very eventful one for your Company and substantial progress has been achieved. Group sales for the year were £2,351·7 million (1986 £2,126·1 million), an increase of 10·6%. Profits before tax increased by 15·4% to £242·8 million.

Substantial progress has been achieved throughout the company. I believe we can look forward to the future with confidence.

Profit attributable to shareholders increased by 20·5% and the directors have recommended a final dividend of 5·2p per share, making a total for the year of 8·0p per share (1986 7·1p per share).

The major reorganisation of the management structure of Boots The Chemists has been completed successfully and the development programme of refitting both large and small stores with new design features is accelerating as planned. Competition has been strong in many areas of the business but we have improved the range of merchandise in our stores and, with more aggressive marketing, we have held or improved our market shares in key sectors.

In four years, Boots Opticians Ltd has become the second biggest optical retailer in the United Kingdom. The acquisition of Curry & Paxton in April brought the total number of practices to 240, 133 in separate units and 107 in stores of Boots The Chemists.

Our new retailing subsidiary, Childrens World, providing all the needs of customers shopping with children for children, has opened its first three stores. They have been well received and early results are very encouraging.

In the Industrial Division, the most significant event of the year was the acquisition in September of the Flint Division of Baxter Travenol in the United States. This was a major step to increase the Company's presence in the very large US pharmaceutical market and was in line with our declared strategy. Flint is a very good fit with the existing Boots operations in the US. The combined company, now known as The Boots Company (USA) Inc., will provide a firm base from which to expand and to market our own research discoveries in the future instead of sacrificing most of the benefits to licensees. Flint has fully met our expectations especially with regard to the people and the performance of its major product, Synthroid, for the treatment of thyroid deficiency.

As a company committed to pharmaceutical research, we support the initiative to remove pharmaceutical patents from the transitional licence of right provisions of the Patents Act 1977. We believe this to be in the national interest as well as that of the pharmaceutical industry and we urge H.M. Government to introduce the necessary legislation.

Consumer Products had another very successful year. The main highlights of this growing business are given in the Group Review.

As part of the continuing process of changing our management structure so as to increase accountability, the structure of companies within the Group will be changed. In due course the Company will become a holding company. A resolution will be proposed at the Annual General Meeting to amend the Memorandum of Association to ensure that the Company has the power so to act.

I should like to express my thanks and those of the Directors to all our staff and to our suppliers who have supported the Company during a year of great change. Their major contribution is very much appreciated. I believe that we can look forward to the future with confidence.

Robert Gunn

Robert Gunn, Chairman

▲ *Boots The Chemists new small store—Oxford Street*

GROUP REVIEW

Group Results

Profit before tax at £242·8 million was ahead of last year by 15·4% and attributable profit was up by 20·5%. Turnover reached £2,351·7 million, an increase of 10·6%.

For the first time, Retail Division's sales exceeded £2 billion, representing an increase of 9.4%, with profits of £144·4 million ahead by 10·5%. UK sales at £1·8 billion increased by 9·4% and trading profit at £124·8 million by 11·4%. This profit is struck after set up costs of Childrens World and restructuring of Boots The Chemists amounting to £4·8 million.

Industrial Division turnover at £467·3 million increased by 15·4%, with profit up £17·9 million, or 26·9%, at £84·5 million.

Boots The Chemists

The Company benefited both from the national growth in consumer expenditure, particularly during the important Christmas trading period and from our various initiatives and developments. The decision to compete more vigorously on price has been successful, notably in producing a profitable improvement in our share of the important toiletries market. This pricing policy will continue although we regard our long-term competitive advantage as founded on merchandise and service.

▲ *Boots Opticians—Bracknell*

The new small store design emphasises the continuing strength of health and beauty—the core of Boots The Chemists' business.

Sales of durable goods, especially in Sound Vision, Cookshop and Baby, showed marked growth and the increase to 110 in-store photographic processing laboratories has contributed to a significant improvement in market share.

The new NHS Contract for retail pharmacy was introduced on 1st April, 1987. The regulations constrain the opening of new pharmacies and, less onerously, the relocation of existing premises. Boots The Chemists with over 1000 pharmacies is much better placed to develop within the new arrangements than many smaller competitors.

We have tested three different trading concepts for our smaller shops and have concluded that we should concentrate exclusively on the Health and Beauty design which, of course, emphasises our traditional strengths in the core areas of our business. New fascia treatments for both our large and small stores are being introduced in conjunction with in-store refurbishments; they present a modern appearance, while retaining the well known Boots logo.

Additional stores have been opened at the Metro Centre in the North East, Portadown in Northern

GROUP REVIEW

Ireland, Epping, High Holborn, Oxford Street in Central London, Summertown on the outskirts of Oxford, and the Merryhill Centre at Dudley. In total, 214 stores have been refitted during the year.

The innovative development of Childrens World has captured customers' imagination, and early results are most encouraging.

Boots Own Brands are a vital element in the success of the Group: they differentiate our merchandise range from that of other retailers, and are a significant contributor to profit, especially in the case of the many products which are manufactured by the Industrial Division. Our success is based on a commitment to quality, value for money and the satisfaction of exacting customer requirements. A few examples of recent developments include the reformulation of our children's medicine range to remove artificial colours, the introduction of a range of homecare preparations for people with sensitive skin, and an expanding selection of chilled foods and drinks.

Last year we reported on the relaunch of our N°7 cosmetics. The new range has been extremely well received so that, coupled with the successful teenage range "17", we have now established leadership in the national colour cosmetics market for the first time. Our comprehensive Own Brand toiletries range, already the leading brand in the total market, increased its share further during the year.

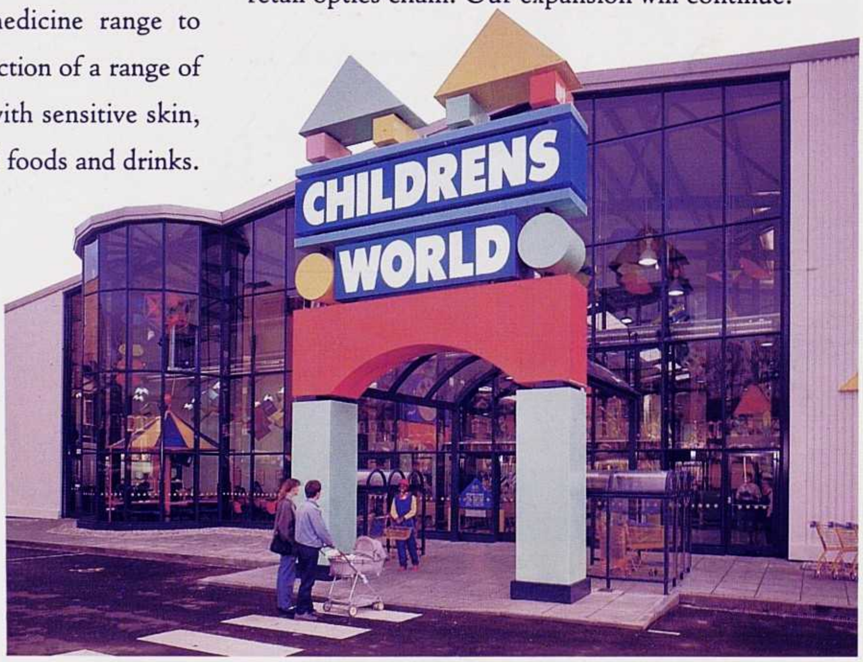
Boots Opticians

This has been a year of significant progress for our retail optics business. The performance of the optical practices in Boots The Chemists stores continued to be excellent and a further 39 have been opened.

The willingness of so many of our customers to make Boots their optician encouraged us to extend our operation into freestanding practices. This was achieved by the acquisitions of Clement Clarke, Edmund Wilkes, and, in April 1987, Curry & Paxton.

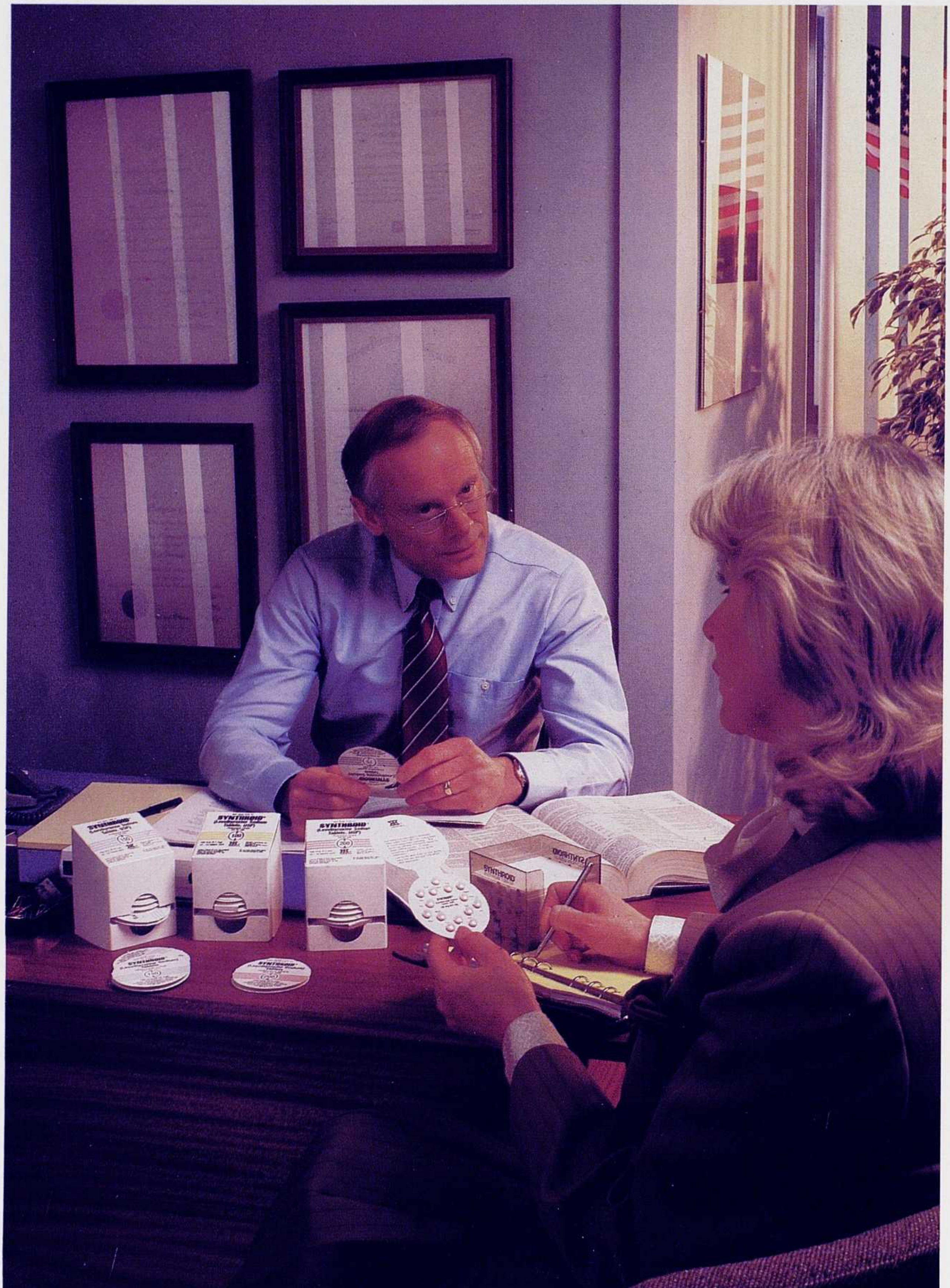
A new subsidiary, Boots Opticians Limited, has been created to conduct the combined optics businesses and a dedicated management team established. The close working relationship between the management and staff of Boots The Chemists and Boots Opticians will continue to ensure the consistency of Boots' approach to healthcare.

Boots Opticians is now the UK's second largest retail optics chain. Our expansion will continue.



▲ *Childrens World—Cricklewood*

▲ *Childrens World—Cricklewood*



▲ *Boots USA medical representative selling the product benefits of Synthroid to a physician*

GROUP REVIEW

Childrens World

The first three Childrens World stores were opened at Dudley in February, Cricklewood in March, and Leicester in April. This innovative development has captured our customers' imagination and early results are most encouraging. The stores, which are located either edge of town or in suburbs, offer a comprehensive range of merchandise and services for children, including clothes, shoes, toys, baby consumables and equipment, nursery furniture and co-ordinates, hairdressing and a snack bar, as well as a mother and baby room and nappy changing facilities in both men's and women's toilets.

Two more stores are planned for the Autumn in Bristol and Rotherham, with a further four next Spring.

Overseas Retail

Canada continued to encounter difficult trading conditions, although there was a modest improvement in profitability. A decision was taken to close the central warehouse in February this year and to obtain supplies from a national wholesaler; this will contribute to a significant reduction of overhead costs.

Our chain of beauty fashion shops in France, trading as Sephora, achieved a further substantial sales gain in excess of 50%. Another 9 stores were opened, bringing the total to 29, and wholly comparative stores enjoyed 15% real growth.

Pharmaceuticals

Sales increased by 9·9%, including almost four months of the sales of Flint Laboratories which was acquired in September 1986.

Following the acquisition of Flint a fundamental reorganisation of our total pharmaceutical business in the US is well advanced. Also in the US the ibuprofen prescription products, Rufen and a generic product, have encountered intense competition but have largely maintained their volume of sales although at reduced margin.

Flint, acquired from Baxter Travenol, has fully met Boots expectations in respect of its people and its major product Synthroid.

In the UK, pharmaceuticals made good progress. In Europe, sales in France were well ahead of the previous year whilst in W. Germany the growth of sales of Idom, the antidepressant, has been slow. India and Pakistan continued their progress with good results on nearly all products. In several countries, mainly in S.E. Asia, the prescription products previously marketed by Du Pont were acquired by Boots companies.

The development of the new cardiovascular drug, flosequinan, for the treatment of cardiac failure and hypertension, is proceeding well. Approval for use in hypertension necessarily involves prolonged clinical studies and it is therefore expected that approval for clinical use will first be obtained for cardiac failure. Clinical trials have shown that in cardiac failure flosequinan produces early improvement which is maintained over an extended period of treatment and is well tolerated. In addition, clinical trials in the UK and US of BTS 54 524, the new antidepressant, are under way.

A sustained-release form of flurbiprofen, which will be prescribed on a once a day basis, is now in the

GROUP REVIEW

process of registration worldwide. It was launched in the first market, Denmark, during February this year.

Sales by Boots-Celltech Diagnostics showed a significant increase over last year. A total of five further diagnostic tests were introduced in the UK during the year.

The Boots research programme seeks novel compounds in several disease areas. Clinical evaluation of flosequinan, the new cardiovascular product, is proceeding well.

Consumer Products

Another year of rapid growth with a sales increase of 19·1% reflected the progress made by major brands and the addition of the Farley business.

The over-the-counter analgesic, Nurofen, attained market leadership in the proprietary sector in pharmacies in the UK. The product is marketed under the brand names Nurofen or Advil by companies in the Boots group and by licensees in a total of 15 countries. Export sales to third party licensees in the US and Japan grew by 74%.

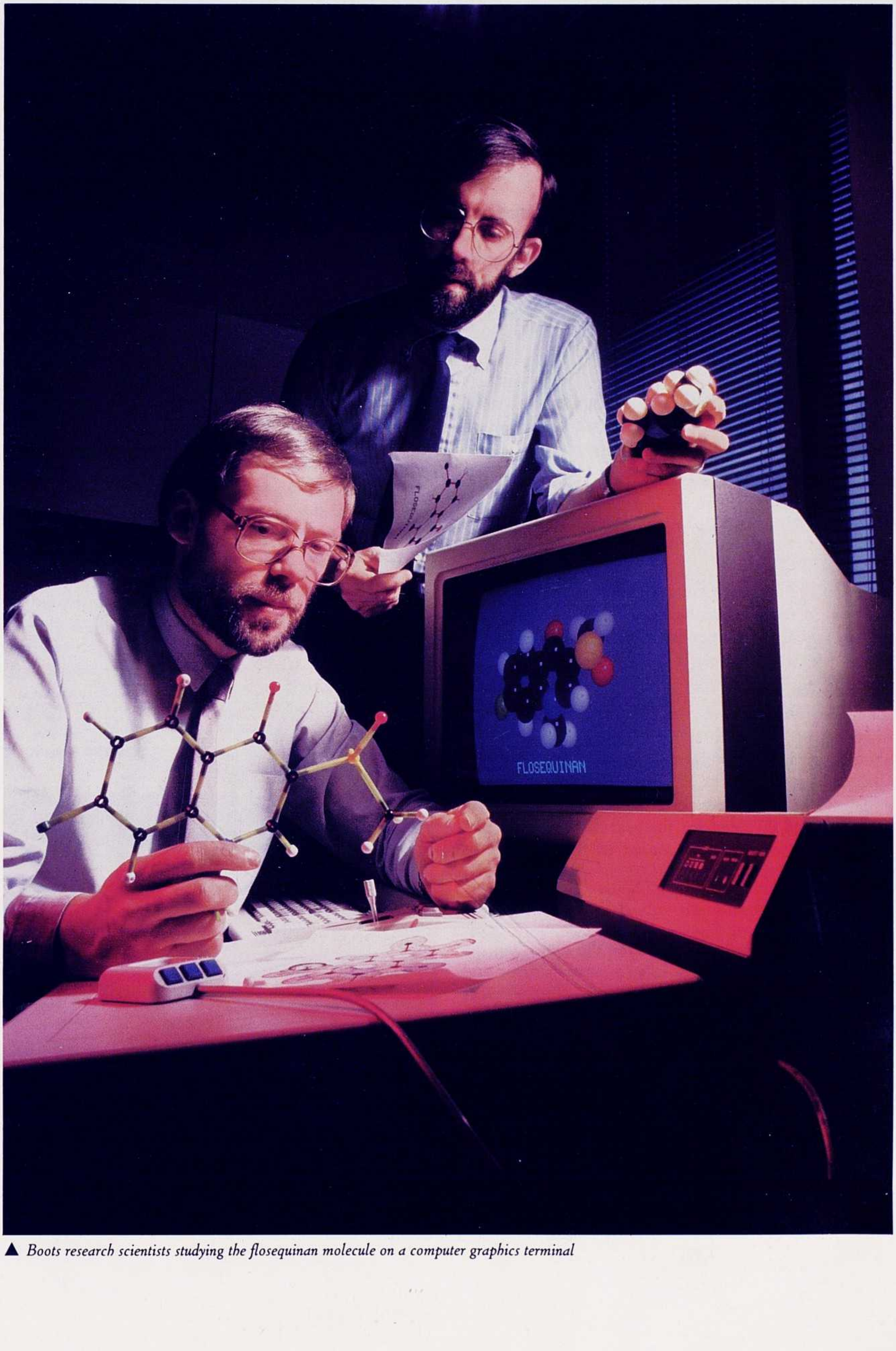
Cream E45, for dry skin conditions, enjoys an excellent reputation in the UK and some overseas countries. We have recently marketed a related product, Hc45, containing hydrocortisone for reducing inflammation and calming irritated skin.

In Europe, Strepsils throat lozenge made significant gains and Reflex Spray was successfully launched into the over-the-counter sector for pain relief in Spain and Belgium.

During the year the major products, Ostermilk and Complan, which had been withdrawn prior to our acquisition of Farley Health Products, were re-introduced in the UK and some overseas markets. New production facilities, operating to high quality standards, have been completed at Kendal for the production of milk products. Additional Farley businesses in Australia and other countries, mainly in S.E. Asia, have been acquired and in most of these the products are now being marketed by Boots companies.

Production

The year was a particularly eventful one in our manufacturing plants. New production facilities were completed at Shreveport in the United States, at Karachi in Pakistan, and at Ahmednagar in India. In the UK capacity was increased to meet demand for the production of ibuprofen and for the manufacture of tablets. There are currently under construction two further facilities—one at Beeston for sterile products, where we shall manufacture Optrex Eye Lotion, and the other a multi-product plant at Cramlington.



▲ *Boots research scientists studying the flosequinan molecule on a computer graphics terminal*

DIRECTORS' REPORT

The directors of The Boots Company PLC present their annual report to shareholders, together with the audited accounts for the year ended 31st March 1987.

Principal activities
The group's worldwide trading is conducted through two divisions, Industrial and Retail. The principal activities of the former are the research, manufacturing and marketing of pharmaceuticals and consumer products. The Retail Division's principal activities are the retailing of chemist and other merchandise. A review of group activities is shown on pages 9 to 14.

Group results
The group profit and loss account for the year ended 31st March 1987 (with 1986 comparisons) shown on page 18 includes the following details:

	1987 £m	1986 £m
Trading profit	**228·4**	191·5
Profit on ordinary activities before taxation	**242·8**	210·4

In 1988 the group accounts will include results of overseas companies made up to 31st March. The preliminary announcement of results will be delayed by approximately two weeks in 1988 and thereafter.

Appropriations
The directors recommend the payment of a final dividend of 5·2p per share which, if approved by shareholders, will be posted on 31st July 1987 to shareholders registered on 11th June 1987. When added to the interim dividend of 2·8p already paid this makes a total dividend for the year of 8·0p per share (1986 7·1p per share). Payment of these dividends requires £73·6m (1986 £51·8m), leaving £90·2m (1986 £84·1m) retained in the business.

Group structure
During the year the group acquired the Flint Division of Baxter Travenol in the US, a manufacturer and distributor of prescription pharmaceutical products. It also acquired Clement Clarke (Holdings) plc which operated a chain of retail optical practices in the UK, now trading as Boots Opticians Limited, and also manufactures ophthalmic and other equipment for sale throughout the world. The group reduced its investment in The Boots Company (India) Ltd. from 53% to 40%.

In April 1987 Curry & Paxton (Holdings) Ltd., retail opticians, was acquired.

Share capital
Details of all shares issued during the year are shown in note 18 on page 31.

Fixed assets
Certain of the group's UK shop properties were professionally valued by Hillier Parker, and Weatherall Green and Smith, as at 1st January 1986. The valuation, on the basis of open market value for existing use, amounted to £502m resulting in a surplus over historical net book value of £326m.

The valuation included all freehold and those leasehold shop properties with no rent review or lease expiry date before 31st March 1993. This valuation has not been incorporated into the accounts.

It is anticipated that no taxation will become payable on this revaluation surplus, as taxation on gains on properties sold in the normal course of business is expected to be deferred indefinitely.

Details of fixed assets are shown on pages 25 and 26.

Employment policies
The company continues to involve staff in the decision-making process, through management, through a comprehensive structure of staff councils and with trade unions where they represent staff.

In addition to staff councils, briefing meetings are held with representatives of staff at all levels to explain the financial and economic factors affecting the group and to review group performance. These and other business matters are reported in *Boots News*, which is published every six weeks and is sent to employees throughout the world, and in an annual report to staff. This is supported by a video presentation, in which the directors report on group results.

DIRECTORS' REPORT

In the UK, staff involvement in performance is encouraged through a bonus scheme and a linked employee share scheme related to UK profits, and also through an employees' share option scheme linked to save-as-you-earn savings contracts. The involvement of staff also extends to the board of Boots Pensions Ltd., on which there are four employee representatives, out of a total of nine board members.

The company recognises its social and statutory duty to employ disabled persons and does all that is practicable to meet this responsibility. Applications for employment from disabled persons (whether registered or not) are considered in the light of their aptitudes and abilities. Where an employee becomes disabled every effort is made to provide continuity of employment in the same job or a suitable alternative.

The company's aim in training and promotion for all members of staff is to fit the qualifications and ability of each individual to the appropriate job, and to provide equal opportunity regardless of sex, religion or race.

The training and re-training of staff is a high priority, both for the benefit of the individuals involved and for the prosperity of the company. Much of this training is on-the-job as well as on in-house and external courses. The company has continued its high level of support for the Youth Training Scheme with approved places for over 1,000 trainees during the year.

▲ *A B Marshall*

Business in the Community
Our support for job creation through Business in the Community has been increased. The number of Local Enterprise Agencies to which we give financial or other support has risen from 26 to 70 during the year.

Charitable donations
Donations for charitable and educational purposes in the UK for the year were £564,000 (1986 £466,000). There were no political payments.

Directors
Mr A B Marshall, the vice-chairman, retires by rotation in accordance with article 100 and offers himself for re-election. He is chairman of the Commercial Union Assurance Company and of the Maersk Company, and a director of the Royal Bank of Canada. Mr Marshall has no service contract with the company.

No director had any interest, either during or at the end of the financial year in any contract which was significant in relation to the group business.

Details of the interests of the directors and their families in the share capital of the company are shown in note 23 on page 34.

Shareholders
The directors are not aware that any person held a beneficial interest in 5% or more of the share capital of the company at 28th May 1987.

Company status
The close company provisions of the Income and Corporation Taxes Act 1970 do not apply to this company.

Auditors
It is proposed to re-appoint Messrs. Peat Marwick McLintock as auditors and a resolution to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the board
D N Edmundson, *Secretary.*
28th MAY 1987.

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31st March 1987

	Notes	1987 £m	1986 £m
Turnover	2	**2351·7**	2126·1
Trading profit	3	**228·4**	191·5
Interest and similar income	4	**14·4**	18·9
Profit on ordinary activities before taxation		**242·8**	210·4
Taxation on profit on ordinary activities	5	**(77·4)**	(72·8)
Profit on ordinary activities after taxation		**165·4**	137·6
Minority interests		**(1·6)**	(1·7)
Profit for the financial year attributable to shareholders	6	**163·8**	135·9
Dividends	7	**(73·6)**	(51·8)
Profit retained		**90·2**	84·1
Earnings per share	8	**19·5p**	18·6p

Movements in reserves are set out in note 19 on page 32.

BALANCE SHEETS

31st March 1987

	Notes	Group 1987 £m	Group 1986 £m	Parent 1987 £m	Parent 1986 £m
Fixed assets					
Intangible assets	9	**5·1**	5·6	**4·7**	5·1
Tangible assets	10	**615·1**	569·1	**174·0**	169·6
Investments	11	**4·9**	2·7	**222·8**	123·3
		625·1	577·4	**401·5**	298·0
Current assets					
Stocks	12	**431·3**	376·5	**156·8**	145·3
Debtors	13	**167·0**	142·5	**362·2**	296·2
Investments	14	**178·6**	187·3	**152·2**	176·1
Cash at bank and in hand		**9·6**	12·0	**·1**	1·4
		786·5	718·3	**671·3**	619·0
Creditors: amounts falling due within one year	15	**(467·4)**	(420·2)	**(344·2)**	(301·6)
Net current assets		**319·1**	298·1	**327·1**	317·4
Total assets less current liabilities		**944·2**	875·5	**728·6**	615·4
Creditors: amounts falling due after more than one year	16	**(12·4)**	(12·0)	**(27·2)**	(27·3)
Provisions for liabilities and charges	17	**(17·3)**	(32·5)	**(17·9)**	(20·8)
Net assets		**914·5**	831·0	**683·5**	567·3
Capital and reserves					
Called up share capital	18	**230·0**	182·5	**230·0**	182·5
Share premium	19	**·1**	4·2	**·1**	4·2
Revaluation reserve	19	**6·9**	7·6	**—**	—
Profit and loss account	19	**676·2**	633·2	**453·4**	380·6
		913·2	827·5	**683·5**	567·3
Minority interests		**1·3**	3·5	**—**	—
		914·5	831·0	**683·5**	567·3

R N GUNN
P H COURTNEY } *Directors*

Approved by the board
28th MAY 1987.

SOURCE AND APPLICATION OF FUNDS

for the year ended 31st March 1987

	1987 £m	1987 £m	1986 £m	1986 £m
Source				
Group trading:				
Profit on ordinary activities before taxation		242·8		210·4
Share of results of related companies		1·1		·7
Depreciation less net surplus on disposal of fixed assets		27·3		22·4
		271·2		233·5
Proceeds on disposal of tangible fixed assets		30·4		23·3
Loans		·5		—
Issue of ordinary shares		391·2		2·1
		693·3		258·9
Disposal of investment in subsidiary and related companies		·3		·2
		693·6		259·1
Application				
Capital expenditure		99·1		103·1
Investments:				
Subsidiaries and businesses acquired	418·6		18·7	
Related companies	3·5		·3	
		422·1		19·0
Intangibles		—		5·2
Increase in creditors falling due after more than one year		(·2)		(·4)
Repayment of loans		—		1·2
Dividends paid		59·4		47·4
Taxation paid		69·1		77·2
Working capital:				
Increase in stocks	54·4		10·6	
Increase in debtors	13·7		2·6	
Increase in creditors falling due within one year	(·5)		(25·7)	
		67·6		(12·5)
Other items		·8		1·0
		717·9		241·2
Increase (decrease) in net cash resources:				
Listed investments	(4·4)		(55·5)	
Short term deposits	(7·8)		79·1	
Cash at bank and in hand	(3·3)		3·2	
Bank loans and overdrafts	(8·8)		(8·9)	
		(24·3)		17·9
		693·6		259·1

The cost of subsidiaries and businesses acquired (before recognising statutory share premium relief of £342·3m) comprises tangible fixed assets £7·7m, goodwill £386·2m, deferred tax asset £14·8m, net current assets of £4·4m and share issue expenses charged against share premium account £5·5m.

Exchange differences on translation of results and opening net assets of overseas subsidiaries have been excluded from applications as they do not represent movements of funds.

NOTES RELATING TO THE ACCOUNTS

1 Accounting policies

The following accounting policies have been used in dealing with items which are considered material in relation to the group accounts.

Basis of accounting

The accounts have been prepared under alternative accounting rules set out in the 4th Schedule to the Companies Act 1985, being prepared under the historical cost convention adjusted by the revaluations of certain properties at open market value. A separate profit and loss account for the parent company has not been presented as permitted by section 228(7) of the Companies Act 1985.

Consolidation

The accounts combine the results of the company and its subsidiaries and related companies for the period of, and to the extent of, group ownership, after eliminating intra-group transactions. The excess of cost of investments in subsidiaries over the fair value of net tangible assets acquired is written off to reserves.

Related companies are those companies in which the group has an equity interest of between twenty per cent and fifty per cent and over whose policies the group is able to exercise a significant degree of influence. The proportion of results attributable to the group is included in the group profit and loss account and dividends received from them are, therefore, excluded from investment income. In the group balance sheet investments in related companies are shown at the group's share of net assets excluding goodwill.

The accounts of UK subsidiaries and related companies are included to 31st March 1987. The accounts of overseas subsidiaries and related companies are included to 31st December 1986, and adjusted for any abnormal transactions in the intervening period, in order to facilitate early presentation of group accounts.

Foreign currencies

The results of overseas companies are translated into sterling on an average exchange rate basis, weighted by the actual results of each month.

Assets and liabilities of overseas subsidiaries are translated into sterling at the rates of exchange ruling at the date of the group balance sheet.

Translation differences are taken to reserves. Other exchange gains or losses are taken to trading profit where they relate to items of a trading nature. Overseas investments are stated at the rate of exchange in force at the date each investment was made.

Depreciation

From 1st April 1986 no depreciation is provided on shop freeholds and long leaseholds with more than 100 years to run. The effect of this change is shown in note 3. Comparative results have not been restated. No depreciation is provided on freehold land and assets in course of construction. Other tangible fixed assets are written off by equal instalments over their expected normal lives. The maximum life assumed for freehold buildings, other than shops, is forty years, and the lives assumed for fixtures and plant vary between three and twenty years.

Intangible fixed assets acquired, such as patents, trade marks and other product rights, are written off by equal instalments over their estimated lives which range between four and fifteen years. Similar assets generated from within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels.

NOTES RELATING TO THE ACCOUNTS

1 Accounting policies *(continued)*

Research and development

Expenditure, other than on buildings and plant, is charged against profits in the year in which it is incurred.

Pension funding

The company and its UK subsidiaries operate pension schemes under which contributions by employees and by the companies are held in trustee administered funds separated from the companies' finances. Actuarial valuations of the schemes are conducted at three-year intervals and include a review of contributions.

Certain overseas companies operate their own pension schemes.

Leases

The group's principal leased assets are properties acquired under operating leases. The costs of these leases are charged directly to the profit and loss account.

Deferred taxation

A deferred taxation provision is made only where the effects of timing differences between profits as stated in the accounts and as computed for tax purposes are likely to reverse in the foreseeable future. Advance corporation tax is carried forward to the extent that it is expected to be recovered.

No provision is made for any potential liability to corporation tax on capital gains arising on disposals of assets since any liability has been deferred under capital gains provisions.

No provision is made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiary and related companies as the major part of these profits will not be remitted.

2 Turnover and profit on ordinary activities before taxation

	1987		1986	
	Turnover £m	**Profit £m**	Turnover £m	Profit £m
Industrial Division	**467·3**	**84·5**	404·9	66·6
Retail Division	**2005·0**	**144·4**	1832·0	130·7
Inter-divisional	**(120·6)**	**—**	(110·8)	—
	2351·7	**228·9**	2126·1	197·3
Interest and unallocated items	**—**	**13·9**	—	13·1
	2351·7	**242·8**	2126·1	210·4
Turnover by geographical destination and related profits are as follows:				
Africa and Near East	**19·4**	**·2**	15·9	·2
US	**83·2**	**27·5**	69·8	16·0
Other Americas	**177·9**	**1·0**	170·5	2·8
Asia	**31·0**	**5·6**	36·0	7·1
Australasia	**21·3**	**2·2**	19·7	1·7
Europe	**135·4**	**9·2**	104·4	7·2
UK	**1883·5**	**184·3**	1709·8	163·0
	2351·7	**230·0**	2126·1	198·0
Share of results of related companies	**—**	**(1·1)**	—	(·7)
	2351·7	**228·9**	2126·1	197·3

Turnover comprises sales to external customers excluding sales taxes.

These results include profit of £10·1m from four months trading of Flint, the US acquisition.

NOTES RELATING TO THE ACCOUNTS

3 Trading profit

	1987 £m	1986 £m
Turnover	**2351·7**	2126·1
Cost of sales	**(1453·8)**	(1309·8)
Gross profit	**897·9**	816·3
Selling, distribution and branch costs	**(595·2)**	(555·7)
Research and development costs	**(30·6)**	(26·0)
Administration costs	**(77·7)**	(69·1)
Surplus on disposal of retail trading properties	**21·0**	19·3
Other operating income	**14·1**	7·4
Share of results of related companies	**(1·1)**	(·7)
Trading profit	**228·4**	191·5
Trading profit is after charging:		
Property rents	**37·8**	32·0
Depreciation	**46·2**	40·7
Computer and plant hire	**4·2**	4·6
Remuneration of auditors	**·6**	·5

The 1986 charge for depreciation includes £2·0m relating to shop freeholds and long leases with more than 100 years to run, which are no longer being depreciated because of their high residual values.

The key average exchange rates for the year were:

	1987	1986
US dollar	**1·56**	1·37
Canadian dollar	**2·05**	2·03
Australian dollar	**2·30**	2·02

4 Interest and similar income

	1987 £m	1986 £m
Interest receivable:		
Listed investments	**4·3**	7·6
Short term deposits	**17·3**	14·0
	21·6	21·6
Gain on disposal of listed investments	**—**	3·3
	21·6	24·9
Interest payable:		
Bank loans and overdrafts:		
Repayable within five years	**(6·7)**	(5·4)
Other loans:		
Repayable after five years	**(·4)**	(·4)
Repayable within five years	**(·1)**	(·2)
	(7·2)	(6·0)
	14·4	18·9

NOTES RELATING TO THE ACCOUNTS

5 Taxation

	1987 £m	1986 £m
The charge on the profit of the year consists of:		
UK corporation tax at 35% (1986 40%)	**73·7**	65·9
Deferred taxation	**(2·5)**	(1·4)
Relief for overseas taxation	**(3·6)**	(3·0)
Total UK taxation	**67·6**	61·5
Overseas taxation	**9·7**	11·5
Share of taxation of related companies	**·1**	(·2)
	77·4	72·8
Unprovided deferred taxation in respect of the year:		
Capital allowances	**5·5**	3·8
Capital gains taxation	**3·5**	4·7
Other items	**(·3)**	(·3)
	8·7	8·2

6 Profit for the financial year attributable to shareholders

All of the profit attributable to shareholders (1986 £95·9m) is dealt with in the accounts of the parent company.

7 Dividends

	1987 £m	1986 £m
Interim paid of 2·8p per share	**25·8**	18·2
Final proposed of 5·2p per share	**47·8**	33·6
8·0p	**73·6**	51·8

8 Earnings per share

Earnings per share are based on 841·2m (1986 729·7m) average ordinary shares in issue, weighted on a time basis, and profit of £163·8m (1986 £135·9m).

The effect on earnings per share of the exercise of outstanding options by directors and employees into ordinary shares of the company would not be material.

NOTES RELATING TO THE ACCOUNTS

9 Intangible fixed assets

Patents, trade marks and other product rights acquired.

	Group £m	Parent £m
Cost		
At 31st March 1986 and 1987	5·7	5·2
Depreciation		
At 31st March 1986	·1	·1
Depreciation for year	·5	·4
At 31st March 1987	·6	·5
Net book value at 31st March 1987	5·1	4·7

10 Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Payments on account and assets in course of construction £m	Total £m
(a) Group					
Cost or valuation					
At 31st March 1986	321·6	122·8	293·8	63·8	802·0
Currency adjustments	·8	—	·9	(1·7)	—
Additions	17·5	12·4	29·4	39·8	99·1
Subsidiaries acquired	4·7	2·7	2·7	—	10·1
Disposals: subsidiary	(1·8)	(4·2)	(·7)	(·1)	(6·8)
other	(7·9)	(5·1)	(9·5)	(·1)	(22·6)
Reclassifications	35·2	8·8	25·9	(69·9)	—
At 31st March 1987	370·1	137·4	342·5	31·8	881·8
Depreciation					
At 31st March 1986	54·7	51·6	126·6	—	232·9
Currency adjustments	·1	·2	·3	—	·6
Depreciation for year	5·9	12·3	27·5	—	45·7
Subsidiaries acquired	·3	·9	1·2	—	2·4
Disposals: subsidiary	(·6)	(2·8)	(·4)	—	(3·8)
other	(1·1)	(3·1)	(6·9)	—	(11·1)
At 31st March 1987	59·3	59·1	148·3	—	266·7
Net book value at 31st March 1987	310·8	78·3	194·2	31·8	615·1

NOTES RELATING TO THE ACCOUNTS

10 Tangible fixed assets *(continued)*

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Payments on account and assets in course of construction £m	Total £m
(b) Parent					
Cost or valuation					
At 31st March 1986	61·9	101·9	73·7	19·2	256·7
Additions	1·1	8·9	8·1	9·1	27·2
Disposals	(·3)	(3·9)	(1·2)	(·1)	(5·5)
Reclassifications and transfers	3·8	1·0	4·8	(10·7)	(1·1)
At 31st March 1987	66·5	107·9	85·4	17·5	277·3
Depreciation					
At 31st March 1986	15·8	41·3	30·0	—	87·1
Depreciation for year	1·8	10·0	7·7	—	19·5
Disposals	—	(2·6)	(·8)	—	(3·4)
Transfers	·1	(·2)	·2	—	·1
At 31st March 1987	17·7	48·5	37·1	—	103·3
Net book value at 31st March 1987	48·8	59·4	48·3	17·5	174·0

	Group 1987 £m	Group 1986 £m	Parent 1987 £m	Parent 1986 £m
Net book value of land and buildings comprises:				
Land	**57·6**	51·4	**2·3**	2·3
Freehold property	**180·1**	148·2	**43·2**	40·8
Long leasehold (more than 50 years unexpired)	**31·0**	31·9	**2·1**	2·2
Short leasehold	**42·1**	35·4	**1·2**	·8
	310·8	266·9	**48·8**	46·1
Net book value of tangible fixed assets under the historical cost convention	**607·0**	560·2	**172·8**	168·3
Analysis of cost or valuation:				
Cost	**853·2**	772·5	**266·6**	246·0
Independent valuation 1958	**9·6**	9·6	**9·6**	9·6
1959	**·2**	·2	—	—
1965	**17·7**	18·6	—	—
Directors' valuation 1971	**1·1**	1·1	**1·1**	1·1
	881·8	802·0	**277·3**	256·7
Gross depreciable assets	**689·6**		**275·0**	

As stated in the directors' report, an independent valuation of UK shop properties was undertaken as at 1st January 1986 and revealed a surplus of £326m which has not been incorporated into the accounts.

NOTES RELATING TO THE ACCOUNTS

11 Fixed assets—investments

	Group Related companies £m
Share of net tangible assets at 31st March 1986	2·7
Share of results for the year	(1·2)
Net additions and transfers	5·2
Currency adjustments	(1·8)
Share of net tangible assets at 31st March 1987	4·9

The cost of investments in related companies is £7·0m (1986 £3·3m).

	Parent			
	Shares in subsidiaries £m	Loans to subsidiaries £m	Shares in related companies £m	Total £m
Cost				
At 31st March 1986	83·1	44·7	3·3	131·1
Additions	106·2	300·0	3·5	409·7
Repayments	—	(5·3)	—	(5·3)
Transfers	(·2)	—	·2	—
Currency adjustments	—	(27·4)	—	(27·4)
At 31st March 1987	189·1	312·0	7·0	508·1
Provision				
At 31st March 1986	4·3	1·3	2·2	7·8
Movement	118·6	157·6	1·3	277·5
At 31st March 1987	122·9	158·9	3·5	285·3
Net book value at 31st March 1987	66·2	153·1	3·5	222·8

During the year the parent acquired the entire issued share capital of:

(a) Boots America Inc., a company formed for the purpose of acquiring the pharmaceutical business of the Flint Division of Baxter Travenol Laboratories, Inc. This involved the issue of 184,171,230 ordinary shares of 25p each.

The shares acquired in Boots America Inc. were 100 shares of common stock of $1 each. They were subsequently disposed of to a subsidiary company, The Boots Company (USA) Inc., for a consideration of shares £97·5m and loans £280·1m. The surplus arising in the parent from this disposal has been eliminated by making a provision against these shares and loans.

(b) Clement Clarke (Holdings) plc, a company engaged in the business of retail opticians and manufacturers of prescription glasses and ophthalmic and other instruments. This involved the issue of 4,808,655 ordinary shares of 25p each and cash payments of £7·2m. 8m ordinary shares of Clement Clarke (Holdings) plc of 25p each are held by the company.

Statutory share premium relief under section 131 of the Companies Act 1985 was taken in both cases and the premium relating to the shares issued was not recorded.

The list of principal companies shown on pages 36 and 37 forms part of this note.

NOTES RELATING TO THE ACCOUNTS

12 Stocks

	Group 1987 £m	Group 1986 £m	Parent 1987 £m	Parent 1986 £m
Manufacturing:				
Raw materials	**29·8**	31·7	**17·1**	16·9
Work in progress	**21·0**	21·3	**15·9**	16·6
Finished goods	**30·6**	26·7	**9·5**	10·2
	81·4	79·7	**42·5**	43·7
Retailing	**349·9**	296·8	**114·3**	101·6
	431·3	376·5	**156·8**	145·3

13 Debtors

	Group 1987 £m	Group 1986 £m	Parent 1987 £m	Parent 1986 £m
Falling due within one year:				
Trade debtors	**111·7**	93·8	**66·4**	61·2
Owed by group companies	**—**	—	**261·0**	204·8
Owed by related companies	**1·8**	1·5	**1·8**	1·5
Other debtors	**15·5**	11·9	**7·2**	5·6
Prepayments and accrued income	**17·8**	18·5	**6·4**	7·9
	146·8	125·7	**342·8**	281·0
Falling due after more than one year:				
Advance corporation tax	**17·7**	13·7	**17·7**	13·7
Other debtors	**2·5**	3·1	**1·7**	1·5
	167·0	142·5	**362·2**	296·2

14 Current assets—investments

	Group 1987 £m	Group 1986 £m	Parent 1987 £m	Parent 1986 £m
Listed investments	**35·0**	39·4	**34·9**	39·3
Short term deposits	**143·6**	147·9	**117·3**	136·8
	178·6	187·3	**152·2**	176·1
Market value of investments listed on The Stock Exchange	**34·9**	39·4	**34·8**	39·3

NOTES RELATING TO THE ACCOUNTS

15 Creditors: amounts falling due within one year

	Group		Parent	
	1987	1986	**1987**	1986
	£m	£m	**£m**	£m
Bank loans and overdrafts	**65·2**	53·7	**34·6**	24·4
Trade creditors	**160·1**	147·1	**123·5**	117·0
Due to group companies	**—**	—	**38·6**	33·3
Due to related companies	**·2**	·1	**·2**	·1
Bills of exchange	**7·1**	5·2	**·1**	·2
Corporation tax	**52·5**	47·1	**27·5**	22·4
Advance corporation tax	**28·2**	21·5	**28·2**	21·5
Taxation and social security (including value added and sales taxes)	**18·7**	16·9	**14·2**	13·6
Other creditors	**64·8**	72·7	**24·2**	29·9
Accruals	**22·8**	22·3	**5·3**	5·6
Proposed dividend	**47·8**	33·6	**47·8**	33·6
	467·4	420·2	**344·2**	301·6

Overdrafts of certain subsidiaries amounting to £3·8m at 31st December 1986 (1985 £3·4m) were secured on the assets of those subsidiaries.

16 Creditors: amounts falling due after more than one year

Loans	**6·5**	6·9	**5·7**	5·7
Due to group companies	**—**	—	**21·5**	21·6
Other creditors	**5·9**	5·1	**—**	—
	12·4	12·0	**27·2**	27·3

An analysis of loans is as follows:

Secured:				
15% debenture 1990	**—**	·9	**—**	—
Unsecured:				
7¾% stock 1988/93	**5·7**	5·7	**5·7**	5·7
Foreign currency bank loans	**·8**	·3	**—**	—
	6·5	6·9	**5·7**	5·7

Except for loans, creditors are repayable within 5 years.

NOTES RELATING TO THE ACCOUNTS

17 Provisions for liabilities and charges—deferred taxation

	Group £m	Parent £m
At 31st March 1986	32·5	20·8
Movement	(15·2)	(2·9)
At 31st March 1987	17·3	17·9

	1987 £m	1986 £m	**1987 £m**	1986 £m
Analysis of provision:				
Capital allowances	**28·4**	35·0	**15·8**	20·0
Other items:				
US	**(11·9)**	—	—	—
Other	**·8**	(2·5)	**2·1**	·8
	17·3	32·5	**17·9**	20·8
Unprovided deferred taxation:				
Capital allowances	**53·2**	46·5	**31·2**	28·8
Capital gains taxation	**29·2**	25·7	**·4**	·4
Other items	**(2·5)**	(2·2)	**(1·5)**	(1·6)
	79·9	70·0	**30·1**	27·6

UK deferred taxation is calculated at 35%.

NOTES RELATING TO THE ACCOUNTS

18 Share capital

	1987 £m	1986 £m
Ordinary shares of 25p each:		
Authorised	**300·0**	225·0
Issued and fully paid	**230·0**	182·5

On 28th August 1986 authorised share capital was increased by £75m (300m shares).

Details of ordinary shares allotted during the year are as follows:

	Profit sharing scheme	Option schemes	Acquisitions	Total
Number of shares allotted	511,801	270,491	188,979,885	189,762,177
	£000	£000	£000	£000
Nominal value	128	68	47,245	47,441
Share premium	1,151	201	—	1,352
Consideration	1,279	269	47,245	48,793

A profit sharing scheme enables qualifying employees to acquire ordinary shares at market price from a cash bonus. At 31st March 1987 2,245,480 shares were held in trust for 5,130 employees.

Under a savings-related scheme options may be granted enabling employees with over five years' service to subscribe for ordinary shares at approximately 90% of market price. At 31st March 1987 options exercisable from 1987 to 1994 at between 86·5p and 247p per share are outstanding in respect of 2,399,591 shares.

Under an executive share option scheme certain senior executives are granted options to subscribe for ordinary shares. At 31st March 1987 options expiring in 1995 at 195p per share are outstanding in respect of 1,935,000 shares.

A maximum of 80 million ordinary shares is available for these schemes.

Under an earlier savings related share scheme, options exercisable in 1987 at 112p per share are outstanding at 31st March 1987 in respect of 2,374 ordinary shares. The option holders of these shares have the right to exercise an alternative option under the present share option scheme in respect of 3,922 shares.

NOTES RELATING TO THE ACCOUNTS

19 Reserves

Group

	Share premium account £m	Revaluation reserve £m	Profit and loss account £m	Share of related companies £m	Total £m
At 31st March 1986	4·2	7·6	633·8	(·6)	645·0
Profit retained	—	—	91·4	(1·2)	90·2
Goodwill	—	—	(43·9)	(1·4)	(45·3)
Currency adjustments	—	—	(·8)	(1·8)	(2·6)
Transfers	—	(·7)	(2·2)	2·9	—
Issue of shares	1·4	—	—	—	1·4
Share issue expenses	(5·5)	—	—	—	(5·5)
At 31st March 1987	·1	6·9	678·3	(2·1)	683·2

Parent

	Share premium account £m	Profit and loss account £m	Total £m
At 31st March 1986	4·2	380·6	384·8
Profit retained	—	100·2	100·2
Currency adjustments	—	(27·4)	(27·4)
Issue of shares	1·4	—	1·4
Share issue expenses	(5·5)	—	(5·5)
At 31st March 1987	·1	453·4	453·5

20 Pensions

Full actuarial valuations of the Boots UK pension schemes were carried out as at 1st April 1986 by Messrs. Bacon & Woodrow, the schemes' consulting actuaries.

As a consequence of their reports, employees' pension benefits were improved and UK pension contributions reduced. The planned rates of contributions, together with existing assets of the schemes and income from future investments, are expected to be sufficient to meet the cost of present benefits and to provide for future pension increases on the same basis as those granted in previous years.

NOTES RELATING TO THE ACCOUNTS

21 Guarantees and other financial commitments

	Group		Parent	
	1987	1986	**1987**	1986
	£m	£m	**£m**	£m
(a) Future capital expenditure approved by the directors and not provided for in these accounts is as follows:				
Contracts placed	**34·1**	28·7	**16·7**	16·3
Contracts not placed	**11·4**	12·6	**2·4**	6·5
	45·5	41·3	**19·1**	22·8

(b) Commitments under operating leases:

Annual commitments under operating leases at 31st March 1987 are as follows:

	Group		Parent	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Expiring:				
Within one year	·7	·3	—	—
Over one year and less than five years	6·0	2·9	—	1·6
Over five years	32·1	—	1·9	—
	38·8	3·2	1·9	1·6

(c) A contingent liability of up to US $45m is payable in instalments as deferred consideration for the Flint business, dependent upon sales levels of a range of Flint products over annual periods ending on 31st December 1990. Amounts arising will be written off as goodwill.

22 Staff numbers and costs

	1987	1986
The average number of persons employed by the group during the year was as follows:		
Industrial Division	**10,657**	10,736
Retail Division	**57,737**	55,311
Central	**1,318**	1,596
Total employees	**69,712**	67,643
The aggregate payroll cost was as follows:	**£m**	£m
Wages and salaries (including profit earning bonus of £18·2m (1986 £15·4m))	**391·4**	356·6
Social security costs	**34·3**	32·8
Other pension costs	**10·4**	18·9
	436·1	408·3

The 29 African employees of our South African company are paid above the Supplemented Living Level. Further information is available on request to the Secretary.

NOTES RELATING TO THE ACCOUNTS

23 Directors' shareholdings

The interests of directors and their families in the share capital of the company at 31st March 1987, which are beneficial interests, are set out below. Holdings at 1st April 1986 are shown in brackets where they differ.

Included under 'ordinary shares' are those held in trust under the company's profit sharing scheme. Details of this scheme and the company's share option schemes are referred to in note 18 on page 31. No director holds any loan capital.

	ordinary shares			ordinary shares under option		expiry date	option price
K Ackroyd	18,104	(13,104)	(a)	5,211		1992	159/180p
			(b)	115,000		1995	195p
Dr E E Cliffe	13,628	(9,628)	(a)	7,296	(6,208)	1989/92	100/204p
			(b)	115,000		1995	195p
P H Courtney	11,794	(7,554)	(a)	5,879		1990/91	125·5/180p
			(b)	100,000		1995	195p
R N Gunn	18,000	(14,868)	(a)	5,161		1989/90	125·5/180p
			(b)	225,000		1995	195p
A H Hawksworth	6,727	(4,307)	(a)	4,822		1990/92	159/180p
			(b)	75,000		1995	195p
G M Hourston	12,730	(10,730)	(a)	4,396		1989/90	158/180p
			(b)	90,000		1995	195p
A B Marshall	2,500	(2,000)		—			
The Rt Hon Sally Oppenheim-Barnes, PC	2,149			—			
I M G Prosser	1,000			—			
Sir Peter Reynolds	1,500	(—)		—			
T G Richardson	4,485	(2,785)	(a)	5,228		1991/2	158/180p
			(b)	90,000		1995	195p
M F Ruddell	1,466	(866)	(a)	3,627	(—)	1992	204p
			(b)	75,000		1995	195p
D A G Sarre	2,500	(2,000)		—			
G R Solway	10,908	(8,558)	(a)	9,596	(7,561)	1987/94	86·5/225p
			(b)	90,000		1995	195p
B H C Theobald	9,500	(8,502)	(a)	5,161		1989/90	125·5/180p
			(b)	90,000		1995	195p

(a) Savings related option scheme
(b) Executive option scheme

Directors' holdings at 28th May 1987 are unchanged.

24 Remuneration of directors and senior UK employees

	1987 £000	1986 £000
The following remuneration of directors and senior employees is included in aggregate payroll cost.		
(i) Remuneration of directors:		
Fees	**48**	35
Other remuneration	**1071**	978
Payments to former directors	**—**	32
	1119	1045

NOTES RELATING TO THE ACCOUNTS

24 Remuneration of directors and senior UK employees *(continued)*

(ii) The remuneration of the chairman and chief executive, who was also the highest paid director, was £163,000 (1986 £148,000).

(iii) An analysis of remuneration of directors (except where duties were discharged mainly outside the UK) and UK employees earning over £30,000 in the year, is shown below.

		Numbers **1987**	1986
Directors:	£160,001 — 165,000	**1**	—
	£145,001 — 150,000	**—**	1
	£85,001 — 90,000	**2**	—
	£75,001 — 80,000	**1**	2
	£70,001 — 75,000	**1**	1
	£65,001 — 70,000	**2**	1
	£60,001 — 65,000	**2**	2
	£55,001 — 60,000	**—**	2
	£50,001 — 55,000	**—**	1
	£45,001 — 50,000	**1**	—
	£15,001 — 20,000	**1**	—
	£10,001 — 15,000	**4**	1
	£5,001 — 10,000	**—**	3
	£1 — 5,000	**—**	2
Employees:	£60,001 — 65,000	**1**	—
	£55,001 — 60,000	**—**	1
	£50,001 — 55,000	**8**	1
	£45,001 — 50,000	**14**	6
	£40,001 — 45,000	**21**	15
	£35,001 — 40,000	**38**	38
	£30,001 — 35,000	**53**	50

DIVISIONAL DIRECTORS

Industrial Divisional Board
E E Cliffe, DPhil, FIBiol, FRSC
Managing director (Chairman)
E C Bosworth
J M Briggs, MIMechE, CEng
S A B Kipping
B Lessel, PhD, FIBiol
J W Lewin
T G Richardson
G R Solway
K R Whitesides
J H Wilson
D J Winter, *Secretary*

Retail Divisional Board
K Ackroyd, FPS
Managing director (Chairman)
J W Berry
N Burton, FRICS, FSVA
P Dobson, MPS
G M Hourston, FPS
P Joyce, MPS
A B McInnes, MPS
A R Ripley, TD, DL
M F Ruddell
S G Russell
D A R Thompson, FCA
B E Whalan
J D Wykes, MPS
I A Hawtin, *Secretary*

PRINCIPAL COMPANIES

		Percentage held by parent	Percentage held by subsidiaries	Principal activities
	Parent			
	The Boots Company PLC			Manufacturing, marketing and distribution of pharmaceuticals and consumer products
	Subsidiaries (incorporated in Great Britain)			
	Boots International Ltd.	100		Management company
	Boots Opticians Ltd.		100	Registered opticians
	Boots Pure Drug Co. Ltd.	100		Management company
	Boots The Chemists Ltd.	100		Retail chemists
	Childrens World Ltd.		100	Retailing of goods and services for children
	Clement Clarke (Holdings) plc	100		Holding company
	Clement Clarke International Ltd.		100	Precision instrument designers and manufacturers
	Crookes Products Ltd.	100		Marketing consumer products
	Curry & Paxton (Holdings) Ltd.		100	Registered opticians
	Farley Health Products Ltd.	100		Manufacturing consumer products
	John Weiss Ltd.		100	Surgical instrument makers
	Optrex Ltd.	100		Marketing consumer products
	The Hanwell Optical Co. Ltd.		100	Manufacturing opticians
	Timothy Whites PLC	100		Property holding
	Whites Property Co. Ltd.		100	Property holding
	Subsidiaries (incorporated overseas)			Activities refer to pharmaceutical and consumer products unless otherwise indicated
Australia	The Boots Company (Australia) Pty. Ltd.	100		Manufacturing and marketing
Belgium	The Boots Company (Belgium) S.A.		100	Marketing
Canada	Boots Drug Stores (Holdings) Ltd.		100	Retail chemists
France	Laboratoires Boots—Dacour S.A.	92·5		Manufacturing and marketing
	Beauté, Hygiène et Soins, S.A.	100		Retailing of cosmetics and toiletries
Holland	The Boots Company (Holland) B.V.	100		Marketing
Ireland	The Boots Company (Ireland) Ltd.	100		Marketing
	Farley Health Products (Ireland) Ltd.		100	Marketing consumer products
Italy	Boots-Formenti S.p.A.	55		Marketing
Kenya	The Boots Company (Kenya) Ltd.		100	Manufacturing and marketing
Malaysia	Optrex (Malaya) Sdn. Bhd.		100	Marketing
New Zealand	Boots The Chemists (New Zealand) Ltd.	100		Retail chemists and marketing
Pakistan	The Boots Company (Pakistan) Ltd.	56·5		Manufacturing and marketing
Philippines	The Boots Company (Philippines) Inc.	100		Marketing
Singapore	The Boots Company (Far East) Pte. Ltd.	100		Marketing

PRINCIPAL COMPANIES

		Percentage held by parent	Percentage held by subsidiaries	Principal activities
South Africa	The Boots Company (South Africa) (Pty.) Ltd.	100		Manufacturing and marketing
Spain	Laboratorios Liade S.A.	100		Manufacturing and marketing
Thailand	The Boots Company (Thailand) Ltd.	100		Marketing
US	The Boots Company (USA) Inc.	100		Holding company
	Boots Pharmaceuticals, Inc.		100	Manufacturing and marketing pharmaceuticals
	Boots Laboratories Inc.		100	Manufacturing and marketing pharmaceuticals
	Flint Laboratories Inc. (formerly Boots America Inc.)		100	Manufacturing and marketing pharmaceuticals
	Boots Puerto Rico, Inc.		100	Manufacturing pharmaceuticals
	Clement Clarke, Inc.		100	Precision instrument distribution and optical lens manufacturing
West Germany	Technochemie GmbH Verfahrenstechnik	100		Manufacturing speciality chemicals
	Kanoldt Arzneimittel GmbH		95	Manufacturing and marketing pharmaceuticals

All shares held are ordinary shares. In addition the group owns 100% of the preferred shares in Boots Drug Stores (Canada) Ltd. and Boots Drug Stores (Western) Ltd., subsidiaries of Boots Drug Stores (Holdings) Ltd.

	Related companies	Issued share capital	Percentage held	Principal activities
Great Britain	Boots-Celltech Diagnostics Ltd.	5,000,000 ordinary shares of £1 paid	50	Manufacturing and marketing of diagnostic products
	Preservative Systems Ltd.	20,000 ordinary shares of £1 paid	50	Manufacturing and marketing of preservative systems
India	The Boots Company (India) Ltd.	4,050,000 ordinary shares of 10 rupees paid	40	Manufacturing and marketing
Nigeria	The Boots Company (Nigeria) Ltd.	6,000,000 ordinary shares of 50 kobo fully paid	40	Manufacturing and marketing
US	Boots-Celltech Diagnostics, Inc.	3,800 ordinary shares paid of no assigned value	29·6*	Marketing of diagnostic products
Yugoslavia	OOUR Boots-Galenika		49	Manufacturing pharmaceuticals

All the companies operate principally in the country of incorporation.

*In addition Boots-Celltech Diagnostics Ltd. own 69·1% of the issued share capital.

GROUP FINANCIAL RECORD

	1987 £m	1986 £m	1985 £m	1984 £m	1983 £m
Turnover	**2351·7**	2126·1	2033·1	1832·8	1670·0
Profit on ordinary activities before taxation	**242·8**	210·4	190·3	165·1	140·1
Taxation	**(77·4)**	(72·8)	(76·6)	(59·8)	(46·9)
Profit on ordinary activities after taxation	**165·4**	137·6	113·7	105·3	93·2
Minority interests	**(1·6)**	(1·7)	(1·0)	(·9)	(·7)
	163·8	135·9	112·7	104·4	92·5
Extraordinary items	—	—	21·2	23·9	(3·2)
Profit attributable to shareholders	**163·8**	135·9	133·9	128·3	89·3
Dividends	**(73·6)**	(51·8)	(45·2)	(40·0)	(34·5)
Profit retained	**90·2**	84·1	88·7	88·3	54·8
Balance sheets					
Fixed assets	**620·2**	574·7	504·3	453·2	431·9
Investments	**4·9**	2·7	3·7	4·4	49·3
Net current assets	**319·1**	298·1	316·2	278·4	168·4
Other creditors	**(12·4)**	(12·0)	(12·8)	(13·3)	(11·6)
Provisions for liabilities and charges	**(17·3)**	(32·5)	(37·7)	(32·6)	—
Net assets	**914·5**	831·0	773·7	690·1	638·0
Represented by:					
Shareholders funds	**913·2**	827·5	770·5	687·4	635·5
Minority interests	**1·3**	3·5	3·2	2·7	2·5
	914·5	831·0	773·7	690·1	638·0
Earnings per share	**19·5p**	18·6p	15·5p	14·4p	12·7p
Dividend per share	**8·0p**	7·1p	6·2p	5·5p	4·75p
Dividend cover	**2·2**	2·6	3·0	3·2	2·6
Profit on ordinary activities before taxation as % of net assets	**26·6**	25·3	24·6	23·9	22·0
Profit on ordinary activities after taxation as % of net assets	**18·1**	16·6	14·7	15·3	14·6

The book value of the group's property which amounts to 34% of net assets is, in the opinion of the directors, substantially below its current value (see page 16 for details of the independent valuation of certain UK shop properties).

DIVISIONAL FINANCIAL RECORD

	1987 £m	1986 £m	1985 £m	1984 £m	1983 £m
Industrial Division					
***Turnover**					
UK (including exports)	**284·7**	244·5	226·1	205·4	188·3
Overseas	**213·1**	194·7	187·6	153·5	126·4
Intra-divisional	**(30·5)**	(34·3)	(30·7)	(22·0)	(22·0)
	467·3	404·9	383·0	336·9	292·7
*Turnover of Industrial Division includes sales to Retail Division.					
Profit on ordinary activities before taxation					
UK	**54·3**	40·3	34·6	36·7	39·5
Overseas	**31·3**	27·0	30·0	23·8	14·9
Share of results of related companies	**(1·1)**	(·7)	(·4)	1·8	3·5
	84·5	66·6	64·2	62·3	57·9
Capital expenditure	**26·7**	47·8	40·6	23·1	22·3
Retail Division					
Turnover					
UK	**1799·6**	1644·9	1564·6	1456·9	1351·1
Overseas	**205·4**	187·1	194·3	146·2	127·8
	2005·0	1832·0	1758·9	1603·1	1478·9
Profit on ordinary activities before taxation					
UK	**124·8**	112·0	101·3	89·0	73·1
DHSS remuneration adjustment	—	—	5·8	(6·2)	—
Surplus on disposal of properties	**21·0**	19·3	8·9	16·5	14·5
Total UK	**145·8**	131·3	116·0	99·3	87·6
Overseas	**(1·4)**	(·6)	1·6	(·1)	(3·0)
	144·4	130·7	117·6	99·2	84·6
Capital expenditure	**72·4**	55·3	52·4	36·8	35·7

AUDITORS' REPORT

to the members of The Boots Company PLC

We have audited the accounts on pages 18 to 37 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31st March 1987 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PEAT MARWICK McLINTOCK

Chartered Accountants, Birmingham.

28th MAY 1987.

Designed by Charles Barker City.
Main photography by Michael Joseph.
Printed by Boots Print.

Froben
100 mg
Thomae
PRESCRIPTION MEDICINE
Prothiaden 25mg
EACH CAPSULE CONTAINS 25mg
DOTHIEPIN HYDROCHLORIDE B.P.
500 CAPSULES IN TRAYS OF 10 CAPSULES
DOSAGE:- 75 mg TO 225 mg DAILY
THE BOOTS COMPANY (NEW ZEALAND) LIMITED
WELLINGTON
SYNTHROID
(Levothyroxine Sodium Tablets)
Professional sample not for sale
100
Boots
Blackcurrant with Rosehip
500 ml
Boots
Baby Soap
150g
Glucodin
GLUCOSE POWDER WITH VITAMIN C
Boots
Baby Bath
BAIN POUR BEBE
250ml
No7
100 ml
17
40 ml
24 Throat Lozenges
Strepsils
original flavour
MEDICINE FOR SORE THROATS
24 Throat Lozenges
Strepsils
with vitamin C 100mg
MEDICINE FOR SORE THROATS
Boots
Baby Oil
HUILE POUR BEBE
500ml
Boots
Nirolex
Expectorant Linctus
For Children
Boots
Cough Linctus
For Children
For coughs associated with colds and for bronchial coughs
Optrex
EYE LOTION
Boots
SHAMPOO
FOR NORMAL HAIR
Boots
MOISTURISING LOTION
cucumber
FOR ALL SKIN TYPES
DENTALHEALTH
Advanced Fluoride Formula
DENTALHEALTH
Plaque Control Formula
Farley's Rusks
Enriched with Vitamins & Minerals
9 Rusks


Soluble Aspirin Tablets B.P.
Complan
Butterscotch Flavour
THE COMPLETE MEAL IN A DRINK
QUALITY ASSURED
4 INDIVIDUAL SERVINGS
Just add water
Oral
ALOE VERA CONDITIONER
250 ml
SOLTAN
esberiven
buvable
Decongestant capsules
Karvol
CREAM E45
Prothiaden
BRUFEN 400
BRUFEN
400
HAND CREAM


Froben
100 mg
PRESCRIPTION MEDICINE
Prothiaden 25mg
EACH CAPSULE CONTAINS 25mg
DOTHIEPIN HYDROCHLORIDE B.P.
500 CAPSULES IN TRAYS OF 10 CAPSULES
THE BOOTS COMPANY (NEW ZEALAND) LIMITED
WELLINGTON
Baby Soap
Glucodin
GLUCOSE POWDER WITH VITAMIN C
Baby Bath
250ml
Strepsils
original flavour
MEDICINE FOR SORE THROATS
Baby Oil
Strepsils
with vitamin C 100mg
MEDICINE FOR SORE THROATS
Nirolex
Expectorant
Linctus
For Children
Cough
Linctus
For Children
Optrex
EYE LOTION
Advanced Fluoride Formula
Plaque Control Formula
Farley's
Rusks
Enriched with
Vitamins & Minerals
9 Rusks

COUNTRY BORN
SHAMPOO
FOR GREASY HAIR
200ml
SPORTS
AFTER SHAVE
Soluble Aspirin Tablets B.P.
Complan
Butterscotch Flavour
THE COMPLETE MEAL IN A DRINK
QUALITY ASSURED
4 INDIVIDUAL SERVINGS
Just add water
Oral Antiseptic
ALOE VERA
CONDITIONER
250 ml
SOLTAN
sun-cream
4
Medium Protection
SKIN KINDLY
PURELY SOAP
FRAGRANCE AND COLOUR FREE
SAVON PUR
150 g
24 ampoules de 2 ml
esberiven
buvable
AN ORIGINAL FORMULA
Karvol
Decongestant capsules
Clears blocked up noses with the natural vapours of pine, cinnamon and menthol.
esberiven
CREAM E45
dermatological cream FOR DRY SKIN CONDITIONS
28 dragees
Prothiaden
75MG
BRUFEN 400
50 Dragées
FRAGRANT TALCUM POWDER
Tropical Wild Orchid
150 g
HAND CREAM
SHOWER GEL


Metallix
Nail Polish
Vernis à
Ongles Acier
12 ml
NUROFEN
A BREAKTHROUGH IN PAIN RELIEF
12 TABLETS
1200
Sweetex
KEEP DRY AT ALL TIMES
Boots
Strepsils